

Comments for the Record
United States House of Representatives
Committee on Ways and Means
Subcommittee on Social Security
Hearing on Protecting and Improving Social Security:
Benefit Enhancements
Wednesday, March 13, 2019, 2:00 PM
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Chairman Larson and Ranking Member Reed, thank you for the opportunity to submit comments to the subcommittee. We look forward to continuing this series

Like yesterday's comments, our submission today is based on two elements of our four-part approach to tax reform, the employee contribution to Old Age and Survivors Insurance and our Net Business Receipts/Subtraction Value Added Tax. Attachment One contains this discussion. Attachment Two reprises our discussion on employee-ownership, with the following paragraphs pulled forward.

NBRT/SVAT collections, which tax both labor and profit, will be set high enough to fund employee-ownership and payment of current beneficiaries. All employees would be credited with the same monthly contribution, regardless of wage. The employer contribution to Old Age and Survivors Insurance will continue to provide income sensitive payments to current retirees, which will bolster the political acceptance of the entire system.

Employee-ownership is the ultimate protection for worker wages. Our proposal for expanding it involves diverting an every-increasing portion of the employer-contribution to the Old Age and Survivors fund to a combination of employer voting stock and an insurance fund holding the stock of all similar companies.

Using the NBRT/SVAT is superior to using payroll taxes because there is no ceiling to the amount collected to fund current retirees. Increasing the rate to expand the portion of the tax allows the expansion of benefits to current retirees. Employee-Ownership provides an incentive to workers to innovate and thus produce higher earnings for the firm, which will also expand retirement benefits.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment One: Tax Reform Provisions, March 12, 2019

The employee contribution will feature a lower income cap, which allows for lower payment levels to wealthier retirees without making bend points more progressive. This contribution is only retained if a tie between retirement income and wages is necessary to preserve broad based support for the program.

There should also be a floor, because most of the heavy lifting to support retirees will come from the NBRT, with these contributions to FICA credited on an equal dollar basis, rather than as a tie to wage levels. Doing so makes contributions less regressive, both because they tax all value added and because there is no upper limit to their collection. This ends the need for the Earned Income Tax Credit and its replacement with a high child credit.

The NBRT/SVAT includes additional tax expenditures for family support, health care and the private delivery of governmental services. It will fund entitlement spending and replace income tax filing for most people (including people who file without paying), the corporate income tax, business tax filing through individual income taxes and the employer contribution to OASI, all payroll taxes for hospital insurance, disability insurance, unemployment insurance and survivors under age 60.

Attachment Two: Employee-Ownership, March 7, 2019

Employee-ownership is the ultimate protection for worker wages. Our proposal for expanding it involves diverting an every-increasing portion of the employer-contribution to the Old Age and Survivors fund to a combination of employer voting stock and an insurance fund holding the stock of all similar companies. At some point, these companies will be run democratically, including CEO pay, and workers will be safe from predatory management practices. Increasing the number of employee-owned firms also decreases the incentive to lower tax rates and bid up asset markets with the proceeds.

Establishing personal retirement accounts holding index funds for Wall Street to play with will not help. Accounts holding voting and preferred stock in the employer and an insurance fund holding the stocks of all such firms will, in time, reduce inequality and provide local constituencies for infrastructure improvements and the funds to carry them out...

ESOP loans and distribution of a portion of the Social Security Trust Fund could also speed the adoption of such accounts. Our Income and Inheritance Surtax (where cash from estates and the sale of estate assets are normal income) would fund reimbursements to the Fund.

At some point, these companies will be run democratically, including CEO pay, and workers will be safe from predatory management practices. This is only possible if the Majority quits using fighting it as a partisan cudgel and embraces it to empower the professional and working classes.

The dignity of ownership is much more than the dignity of work as a cog in a machine.

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